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January 5, 2000

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REGIONAL SUPERVISOR
FIELD OPERATION
MINERALS MANAGEMENT SERVICE

Mr. Jeff Walker
Regional Supervisor, Field Operations
U.S. Department of the Interior
Minerals Management Service - Alaska OCS Region
949 East 36th Avenue, Room 603
Anchorage, AK 99508-4302

**Re: Fourth Semi-Annual Report
Second Unit Plan of Operation
Sandpiper Unit
Murphy's M-3559**

Public Information Copy

Dear Mr. Walker:

This "public information" version of the 4th Semi-Annual Report under the Second Unit Plan of Operation for the Sandpiper Unit is submitted in accord with the request made in your letter of December 15, 1999. It is submitted by Murphy Exploration & Production Company rather than BP Exploration (Alaska) Inc. since, as you are aware, although the documentation thereof has not yet been posted to your records, Murphy has been designated successor to BPXA as Operator of the Sandpiper Unit.

The Second Unit Plan of Operation for the Sandpiper Unit covers the period November 1, 1997, through October 31, 2000, and calls for semi-annual reports to be submitted before May 1 and November 1 of each year. This is the fourth semi-annual report due under the Second Unit Plan of Operation. BP Exploration (Alaska) Inc., as operator, requested that the deadline for submission of this report be extended to November 30, 1999, which was approved on October 14, 1999.

Following submission of the earlier confidential version of this report, Operatorship of the Sandpiper Unit began to be transferred to the previous operator of the Sandpiper Unit. Murphy Exploration & Production Company ("Murphy") will assume Operatorship and will file the appropriate assignments, resignation and designation forms in a timely manner. BPXA elected not to exercise its option to earn an undivided interest in the Sandpiper Unit in accordance with the terms and provisions of that certain farmout agreement dated effective March 16, 1998 by and between BPXA, Murphy and Petrofina Delaware, Incorporated ("Fina"). As a result of BP's election, ownership of the leases within the Sandpiper Unit, consisting of OCS-Y 0368 (All), OCS-Y 0369 (S/2), OCS-Y 0370 (Pt.), OCS-Y 0371(All) and OCS-Y 0828 (Approx. E/4), is now held by Murphy (57.57%) and Fina (42.43%). BPXA, Murphy and Fina will continue to discuss alternative commercial arrangements that would allow for the development of the Sandpiper Unit in the most efficient and cost effective manner possible.

Current Activities

The following activities have been undertaken or completed since the prior report.

- A. **Core Studies.** The owners undertook further core studies to better understand water saturation and porosity issues in the reservoir. BPXA's Upstream Technology Group performed a core study, and the owners commissioned an additional core study by Westport. The core studies have reduced the range of uncertainty around the reserves. The Westport study and the study performed by UTG were reviewed by and transmitted to MMS during a meeting held in BPXA's offices on November 12.
- B. **Sandpiper Screening Studies and Northstar Capacity and Timing.** Screening studies performed by BPXA earlier this year indicated that a subsea tie-back from the Sandpiper Unit to the Northstar Unit is the most viable development option at this time based on current technology. However, recently completed screening and capacity studies relative to Northstar indicated that taking Sandpiper production to Northstar is unlikely to be viable for a number of years given Northstar capacity constraints and the costs of modifications to eliminate those constraints.

Like the materials related to the core studies mentioned under A. above, materials related to these screening and capacity studies were reviewed by and transmitted to MMS during the meeting held in BPXA's offices on November 12.

Although BPXA, Murphy and Fina currently view a Northstar tie-back as the most viable development option, it should be recognized that significant changes in the technical and/or economic environment might in the future lead to a different preferred development option. Therefore, a continuing general, although low key, monitoring of such technical and economic considerations should take place until either a final commitment is made to a specific development plan or such changes in those environments are noted as would cause a reassessment of the preferred course of development.

Future Activities

The following activities appear to be the only items provided for in the Second Unit Plan of Operation which have not been completed or heretofore acceptably reported on to MMS in this or in prior Semi-Annual Reports.

- A. **Exploration Plan for Delineation Well.** Notwithstanding the schedule of activities set out in the Second Unit Plan of Operation, due to the above-mentioned Northstar capacity constraints, the owners no longer are able to anticipate drilling a delineation or development well by October 31, 2000. Instead, Murphy, as successor Operator to BPXA, will be submitting a Third Unit Plan of Operation and a concurrent request for an extension of the current Suspension of Production. The Third Unit Plan of Operation will link the timing of the delineation well and development activities at Sandpiper to the availability of processing capacity at Northstar facilities.
- B. **Drill and Test Delineation Well.** See comments under A. immediately above.

Murphy and Fina look forward to your notice of acceptance of this Fourth Semi-Annual Report. In particular, it would be appreciated if your acceptance notice would specify that, notwithstanding that the contemplated Exploration Plan for drilling of a Delineation Well has not been filed, acceptable progress under the Second Unit Plan has been made to date. Such a finding would thereby extend the Second Unit Plan for another six month period. Early within that period, of course, you will

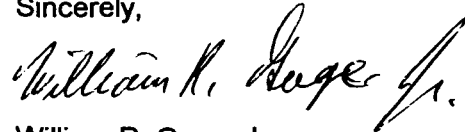
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receive the Third Unit Plan of Operation mentioned above which, if it is approved, would replace the current Second Unit Plan.

If you have any questions or comments concerning this report, please contact the undersigned at (504) 561-2578.

Sincerely,

A handwritten signature in cursive script, reading "William R. Gage, Jr.", written in black ink.

William R. Gage, Jr.
Senior Landman